

10-5-2016

Africa Rising - Illicit Financial Flows Too! The Need for Resolute Leadership in Africa's Resources Management

Sombo M. Chunda

Zambia

Follow this and additional works at: <https://digitalcommons.kennesaw.edu/yaljod>

Part of the [African Studies Commons](#), [Critical and Cultural Studies Commons](#), [Growth and Development Commons](#), [Peace and Conflict Studies Commons](#), and the [Political Theory Commons](#)

Recommended Citation

Chunda, Sombo M. (2016) "Africa Rising - Illicit Financial Flows Too! The Need for Resolute Leadership in Africa's Resources Management," *Young African Leaders Journal of Development*: Vol. 1 , Article 5.

DOI: 10.32727/24.2018.5

Available at: <https://digitalcommons.kennesaw.edu/yaljod/vol1/iss1/5>

This Article is brought to you for free and open access by DigitalCommons@Kennesaw State University. It has been accepted for inclusion in Young African Leaders Journal of Development by an authorized editor of DigitalCommons@Kennesaw State University. For more information, please contact digitalcommons@kennesaw.edu.

AFRICA RISING - ILLICIT FINANCIAL FLOWS TOO! THE NEED FOR RESOLUTE LEADERSHIP IN AFRICA'S RESOURCES MANAGEMENT

Sombo M. Chunda
Country Representative, Diakonia Sweden-Zambia, Country office,
Zambia

ABSTRACT



PHOTO: [HTTP://STAR.WORLDBANK.ORG/STAR/CONTENT/GETTING-MEASURE-ASSET-RECOVERY](http://star.worldbank.org/star/content/getting-measure-asset-recovery)

This paper seeks to understand the relationship between Africa's potential, the increase in illicit financial flows, and the leadership challenge in resource management. It looks at the resources that the continent possesses (human and natural), the serious challenge of illicit financial flows, and the need for deliberate and resolute leadership within and beyond the continent's borders. It makes an assertion that there is a need to effectively manage the resources of the continent and proposes the need for concerted efforts to fight the illicit flows of resources out of the continent - a trend that doesn't seem to slow down. It implores the need for active participation of all Africans in the management of resources as a sure way to maintain the rise. In and of itself, it is not an exhaustive analysis because the topic under discussion is broad and interlinked with important aspects like development.

INTRODUCTION

There is a shift in the global portrayal of Africa. From the dark continent ravaged with diseases and poverty to a sleeping giant now rising. This centre stage has been earned as a result of resources. Africa is the second largest continent after Asia and home to around 1.2 billion people 50 % of whom are younger than 19 years old. Africa has about 30.2 million km² land and that accounts for 20.4 % of the earth's total land area. The world's second largest rainforest is found in Africa. The largest proportion of natural resources - gold, diamonds, gemstones, oil, and copper-

are found in Africa. In the midst of this rise is the systemic corruption that needs more than pronouncements, but action, to fight. The continent's youthful population gives it the advantage of a large and cheap workforce that will be useful in the exploitation of its natural resources. This also entails that there will be a ready demand and market for products. More importantly, the youthful population will contribute to the various nations' tax base and bring development to the various countries.

AFRICA'S RESOURCES

Africa is synonymous with natural resources from minerals, natural gas, oil and woodlands. Minerals are found in various parts of the continent and have been used to bring about economic development in some cases while others, the source of conflict. Wherever you look in Africa, there are mineral resources. In the south, Botswana has about 35 % of Africa's diamonds and produces copper, nickel and soda ash while South Africa is the largest producer of gold diamonds and is the world's largest producer of chrome, manganese, platinum, vanadium and vermiculite. It is also the second largest producer of ilmenite, palladium, rutile and zirconium. Zambia has over 75% of the continent's copper and is the world's largest producer of emeralds from one single mine found in the impoverished district of Lufwanyama on the outskirts of the Copperbelt province. Mozambique has about 32 % of aluminum and there has been recent discoveries of huge reserves of natural gas. In the east, Tanzania is the fourth largest producer of gold on the continent and has deposits of iron ore, nickel, copper, cobalt, silver and more. In the west, Niger has 44 % of uranium while Guinea is responsible for 95 % of the continent's bauxite production. With these resources, it would be expected that the continent would be developed. On the contrary, the mention of Africa's resources does not translate to a continent with cities well planned, a vibrant working class or hopeful youth soon to graduate from university and join the working class. Africa's resources have been plundered, will continue to be looted and a source of conflict if no deliberate actions are taken. The Democratic Republic of Congo is a good example of instability stemming from resources. With the largest world reserves of cobalt, the most important metal in the production of laptops and smartphones, the DRC has known no peace. It is the largest producer of copper in Africa and has a significant share of the world's cobalt reserves. In 2009, it was estimated that the country had \$24 trillion worth of untapped resources.

ILLICIT FINANCIAL FLOWS

It is estimated that more than 50 billion US dollars is lost from Africa annually through illicit financial flows. This is twice the amount that comes to Africa in form of aid. Illicit financial flows are facilitated by international tax havens and jurisdictions that enable the creating and operating of disguised corporations, shell companies, anonymous trust accounts and fake charitable foundations. Other techniques used are money laundering and transfer pricing. The plunder of the continent's resources makes news almost everyday. Corruption is rife in many African countries and according to Transparency International, the top most corrupt countries in the world are in Africa. It is probable that even more resources are lost from Africa in the absence of a clearly defined mechanism to ascertain the loss.

The recent increase of China's interest in Africa has brought with it, serious challenges in resource governance. This trend will continue if Africa does not collectively define the terms of engagement with the East. In looking at the resource outflows, it is important to keep in mind that there is a need for more accountability in the management of existing resources. And the primary custodian for accountability are the leaders.

LEADERSHIP IS KEY

The one important issue that needs attention and clearly stands in the way for Africa's turnaround is the leadership challenge. Most African countries are fairly stable and have embraced democracy as a form of government. It is also true that a number of countries with vast natural resources have seen and still experience a fair share of conflict. There is need to get the leadership right and this is closely connected to the level of education and awareness of the population. African leaders have facilitated the looting of resources from the continent by not taking responsibility in formulating policies and ensuring execution of the same for the development of the continent. There is need for African leaders to clearly denounce corruption and institute measures that will curb the vice. Leaders should not be assumed to be fighting corruption, they should be seen to be doing so and should act in the fight against corruption. This sends a clear message to those that have been involved and those that may wish to be involved. Nigeria's President Muhammadu Buhari is on record for stating categorically that his intention is to wipe out corruption. His demand for the return of money kept in British Banks should be supported by all those that are for the development of Africa. Notable, also, is the ferocious fight that has been put up by Tanzania's President John Magufuli who has adopted the reputation of a broom. Tanzania has endemic corruption and is placed at number 117 out of 168 countries globally. With resolute leadership, the illicit financial flows can be reduced significantly. The war against illicit financial flows is the single most important war that Africans should fight. Because if the resources do not flow out and are kept within the continent, schools and universities can be financed, roads can be constructed, health care facilities and other social infrastructure can be built. There will be no need for African leaders to fly to Europe and Asia to access good medical services leaving the people that elected them to power to die in ill-equipped hospitals. The fight against illicit financial flows needs more than two committed leaders, it needs independent institutions like the Africa Union and the Africa Development Bank as champions.

It is gratifying to note that institutions like the African Development Bank are now taking centre stage in this discourse. There is a clear realisation that the continent is capable of rewriting its history and the time is now. The Bank's five point development plan is carefully crafted and inspired by the fact that yes, Africa does have the resources to make this a reality.

NEED FOR GLOBAL SUPPORT

In April, the world woke up to a shock of the Panama Papers - a revelation of how money is stored away and tax is evaded. In his address to the world, President Barack Obama called for joint global efforts to fight tax fraud. This call comes at the right time when Africa has been struggling with tax fraud by multinational corporations for years. Tax fraud and transfer pricing could account for major ways in which money flows out of Africa. African leaders through established institutions like the African Union and the African Development Bank should seek ways to work closely with the United States of America to fight illicit financial flows.

CONCLUSION

Africa will rise, Africa is rising! The time is now for Africa to rewrite history and change the fortunes of the continent. All the indicators for the rise are in favour of Africa and all that is needed is deliberate leadership and joint effort to make the narrative a reality.

NATURAL RESOURCE GOVERNANCE, DEVELOPMENT AND POLITICAL STABILITY IN THE GREAT LAKES REGION: CASE STUDY OF THE OIL SECTOR IN UGANDA

Jacqueline Nakaiza
*PhD Researcher, Makerere University,
Uganda*

ABSTRACT

Discovery of significant oil resources in Uganda has been met with both optimism and skepticism. In as much as the country's government argues that the discovery and exploitation of the oil will be a boost to the country's development process, scholars, members of the political opposition and sections of the civil society contend that there is reason to fear for a possible oil resource curse. It is against this background that this study was undertaken; to scrutinize the content, process and implementation of the policies relating to exploitation of the oil and to determine whether these policies guarantee that the country will not suffer the resource curse. The study uses data generated from key informant interviews, which it augments with evidence culled from government publications, including policy documents and sector reports, and related literature. The study found that although the oil sector policies are comprehensive and were adopted through inclusive technical and political processes, the implementation of these policies is not transparent. Hence the country could become a victim of the resource curse. Recommendations towards redressing this problem are made.

BACKGROUND AND INTRODUCTION

Since attainment of political independence in the 1960s and 1970s, most of the countries in the Great Lakes Region have been stuck in a vicious cycle of conflict, including the genocide in Rwanda, the conflict in Burundi, the conflict in Southern Sudan, the ethnic clashes in Western Kenya, the protracted conflict in Somalia, the ethnic clashes in various parts of DRC and rebellions by the Uganda National Rescue Front, Allied Democratic Forces and West Nile Bank Front. Among other factors, the conflicts have been responsible for economic stagnation and retrogression, despite the region's enormous natural resources endowment (OSAA, 2006). Although the conflicts have revolved around political struggles for the control of the state, several studies have pointed to the significance of contested rights to access to natural resources in causing and sustaining the conflicts (Huggins et al, 2005; Muwanga, 2012; OSAA, 2006; Kamari-Mbote, 2005). However, over the last two decades, efforts at the national, regional and international levels have helped to mitigate majority of the conflicts and peace has slowly returned to most parts of the region.

Presently, a key concern the countries face pertains to the long-term sustainability of this peace. Evidence that the post-independence conflicts in the region were caused and sustained by contested rights to access natural resources lends credence to the hunch that accountable and visionary governance of the region's natural resources that is targeted at positive transformation of its political economy is pivotal to the sustainability of this peace. Accordingly, the discovery (and planned exploitation) of oil resources in various parts of the region does not only present an

opportunity for the socioeconomic transformation of the region; it also threatens the prospect of sustainable peace in the region.

Thus, a United Nations panel of experts on natural resources and conflict in Africa concludes that the countries need to mitigate the risk factors associated with the management of the oil sector—to maximize its potential for promoting transformation whilst restraining its potential for promoting conflicts (OSAA, 2006). To achieve this objective, the countries need quality information on these factors that is suited to their peculiarity—to adopt suitable policy options. Although policy alternatives could be drawn from the experiences of other countries, these must be tailored to the unique needs of the region. Customization of these policy alternatives to the region's peculiarity would benefit from rigorous examination of the alternatives and the way they may relate to this peculiarity. However, review of related literature (e.g. Kameri-Mbote, 2006) shows that this examination has not been conducted. Thus, this study is proposed to plug this gap through scrutinizing the risk factors in natural resource governance that are relevant to the region's oil sector and ways in which they could be mitigated—to promote equitable development and sustainable peace in the region. The research drew on the case of Uganda's nascent oil sector. It employed Process Tracing research method because it allows within-case analysis in the evaluation of causal processes. The other justification for using the method was that it does not solely rely on the comparison of variations across variables in each case, but also investigates and explains the decision process by which various initial conditions are translated into outcomes (George and McKeown, 1985).

Since attainment of political independence in the 1960s, the countries of the Great Lakes Region of Africa (GLRA) (i.e. Burundi, DRC, Kenya, Rwanda, Tanzania and Uganda) have struggled to achieve economic development. Notwithstanding, some progress that some of the countries have been able to realise is seen from their socioeconomic indicators, but most of them remain underdeveloped and majority of their citizens are trapped in extreme poverty (see, for example, UNDP, 2012).

Two explanations have been primarily advanced for the persistent underdevelopment of these countries. The first is that these countries lack the resources required to invest in infrastructural and human capital development, hence they are trapped in a vicious cycle of underdevelopment and poverty (Siggel, 2005). The second explanation is that the countries have failed to achieve development because they do not exploit their resources optimally for developmental purposes (Todaro & Smith, 2011)—because their leaders collude and make egocentric political settlements that result into plundering of the resources (cf. Eichstaedt, 2011). Meanwhile, groups that are excluded from such arrangements remain disgruntled and usually mobilize to cause political instability in a bid to compete over the right to control/ exploit the resources (Lindemann, 2010). For example, in Uganda, Golooba-Mutebi and Hickey (2013) observe that this kind of politics has closely shaped the character and performance of institutions and actors responsible for delivering development since the attainment of political independence in 1962. They note that successive political leaders and regimes sought to establish “dominant ruler” forms of political settlement, with a little sustained effort to depersonalize public institutions or build stable and inclusive political coalitions.

Over the last ten years, three of the GLRA countries (i.e. Uganda, Kenya and Tanzania) have discovered substantial oil deposits. For instance, in Uganda, potential revenues from the oil that has been explored are estimated at \$148 billion (Lesedi 2010, NDP 2010). It is hoped that

commercial exploitation of these oil resources could generate significant income that the countries could invest in infrastructure and human capital development (Collier, 2011; NDP 2010). Accordingly, discovery of the oil is seen as presenting enormous potential for the countries' economic development and poverty alleviation.

Nevertheless, the propositions of public choice theory give credence to the hunch that, in as much as discovery of oil in the region presents an opportunity for the socioeconomic transformation of the region, it also presents threats in terms of the so-called oil-curse (Thorp et al 2012; Jonathan Di John, 2007; Weisshaar, 2007; Bategeka & Matovu, 2011; Kiiza, Bategeka & Ssewanyana, 2011). This is especially so when the history of the countries' resource related conflicts and bad resource governance are taken into account. According to Lipsey and Crystal (1999), full blown public choice theory deals with three utility maximizing groups: 1) elected officials, who seek to maximize the votes they can get at elections; 2) civil servants, who seek to maximize the salaries they draw from the public purse; and 3) voters, who seek to maximize utility from social services. Consequently, there may be nobody to attend to the general interest of society and the interests of others in the investment of public resources.

In the context of oil in the GLRA, the groups in society that public choice theory identifies can usefully be categorized into two: 1) the elites (political leaders, civil servants, individuals owning large businesses and opinion leaders etc.); and 2) the populace. It is anticipated that the elites will govern the development of the oil sector and the utilization of its proceeds within the constraints of the political settlements that they make among themselves. Authors like Di John and Putzel (2009) note that developmental political settlements could manifest in the structure of property rights and entitlements, which give some social actors more distributional advantages than others in the regulatory structure of the state. Conversely, other settlements are narrow and, from the theoretical point of view of public choice theory, there is reason to fear that the elite may look out for their egocentric benefits from the oil sector, with the consequence of promoting corruption and environmental degradation (see, for example, Ako, 2013). In turn, this could lead to socioeconomic disparities and political exclusion, conflict, political instability and, consequently, persistence of underdevelopment despite exploitation of the oil resources.

Attainment of political stability and, subsequently, inclusive development requires that the political settlements on the oil resources reached guarantee implementation of policies that attract the best returns from the oil sector and ensure that these returns are strategically invested in the promotion of economic development and poverty reduction (Bebbington 2013; Thorp et al 2012). Accordingly, there is need for up-to-date information about the political settlements relating to the oil sector that the political regimes in the region are making - to reach value judgments on the effectiveness with which the potential of the sector is being harnessed in favor of both political stability and economic development. Indeed, authors like Golooba-Mutebi and Hickey (2013) have highlighted need for rigorous studies on the way oil is being governed within the current political settlement; the way oil is reshaping the contours and functioning of the ruling coalitions; the ideas shaping the governance of oil and how the presence of oil is reshaping the political imaginary in countries of the region; the role transnational actors are playing and their impacts on the political settlement; the national-local and intra-local dynamics involved here, and the implications they have for the nature and functioning of the political settlement at different levels; and the implications oil has for inclusive development in the region.

However, a survey of the literature leads to the conclusion that, hitherto, few studies have delved

into these concerns. Currently, there are few comprehensive studies scrutinizing the oil sector related political settlements that the elites are making and implementing and the implications of these settlements for political stability, poverty alleviation and overall development of the GLRA. Moreover, even the few studies dealing with oil governance (e.g. ESID, 2011; Ako, 2013, etc.) that are available, focus on countries outside the GLRA.

This paper will report the findings of a study that was undertaken to plug this knowledge gap. Drawing on the case of Uganda's nascent oil sector, the study employed process tracing research methodology to respond to three research questions: What is the content of the political settlements relating to the oil sector policies that have been promulgated in Uganda? By what processes were these political settlements reached and to what extent were the processes politically inclusive? How are the oil-sector related political settlements in Uganda being implemented and how is this linked to the country's economic development? Accordingly, the paper discusses the extent to which the oil resources in the region are being governed in ways that secure development, poverty reduction and political inclusion after which it propounds recommendations for policy and further research.

SIGNIFICANCE OF THE STUDY

The discovery, exploration and planned exploitation of oil resources in Uganda have attracted very significant optimism and pessimism for the country's prospects for stability and development. Different groups have different expectations and concerns and the country's policy makers and implementers; citizenry; civil society; and development partners are keen to ensuring that the country does not only avoid the oil curse but also that it uses the proceeds from the nascent oil sector to develop the country. The information that the proposed study hopes to generate will guide the aforementioned actors in the country's oil sector in their efforts to ensure that the country avoids the oil resource curse and uses the proceeds from the oil sector to transform the country. In particular, the significance of the study derives primarily from its intended empiricist/ diagnostic approach by which it hopes to fill gaps in past studies on the oil sector in the country (e.g. Kiiza, Bategeka&Ssewanyana, 2011), which mostly follow an idealist/ prescriptive approach. Through scrutinizing the processes of oil related legislations, policies and practices, the study will scrutinize how and why the different actors in the country's oil sector are acting out their roles as well as the implications of their actions for relevant policy and practice. The study will inform efforts to fill gaps in the oil and gas revenue management policy—to ensure keener attention to managing relevant oil-related expectations—thereby mitigating risk of the oil resource curse and the threat to stability and development that it presents. Hence, the ministries of energy and inance; relevant local and regional governments; non-governmental organisations; and oil exploration/ production companies will find the study useful. Beyond Uganda, the study may be useful to other countries in the region, since legislation on the management of oil resources in all the countries in the Great Lakes region is only budding. Finally, the study will make reference and contribute, to discourse on the interplay between the management of natural resources, stability and sustainable development so future researchers in related fields may find it useful.

GENERAL OBJECTIVE

The general objective of the study was to investigate the nature of the political coalitions responsible for the oil related policies and institutions in Uganda.

SPECIFIC OBJECTIVES

1. To investigate the ways in which the discovery and planned exploitation of oil are influencing the functioning of the ruling coalitions in Uganda.
2. To investigate the ideas that are shaping the governance and development of the oil sector in Uganda.
3. To investigate the ways in which international actors are influencing the ideas shaping the governance and development of the oil sector in Uganda.

RESEARCH QUESTIONS

1. How is the discovery and planned exploitation of oil influencing the functioning of the ruling coalitions in Uganda?
2. What ideas are shaping the governance and development of the oil sector in Uganda?
3. How are international actors influencing the ideas shaping the governance and development of the oil sector in Uganda?

SCOPE OF THE STUDY

The study was carried out in Uganda. Focus was put on the processes, content and implementation of the legislations and policies relating to the oil sector in Uganda. Specific reference was made to the way pertinent political settlements have been reached and implemented, as well as the implications of these for the performance and contribution of the oil sector to the country's development. Accordingly, the study reached representatives of the key oil policy making and implementing organisations (including the Ministry of Energy and Mineral Resources, Ministry of Finance and Economic Development, Parliament of the Republic of Uganda, oil exploration and production companies, etc.); pertinent civil society organisations, the academia and oil policy think tanks. Uganda presents a particularly important case for study because it is just emerging out of a protracted insurgency that has been attributed, at least in part, to contest for the right to control natural resources, the inference being that it is extremely important to manage the newly found oil wealth in ways that will ensure that insurgency does not resurface in the region. Generating quality information on pertinent political coalitions and the ways in which these are influencing the governance of the oil sector could guide efforts to ensure that the oil wealth is developed and used in ways that will ensure that insurgency does not resurface in the region. On the other hand, focus on the processes, content and implementation of the legislations and policies relating to the oil sector is justified by the realisation that although writing relating to the oil sector in Uganda is increasingly appearing, past authors on the subject have focused primarily on what the country should do rather than what it is doing and why it is doing it. And now that related legislations and policies are coming out and being implemented, the researcher is interested in extending the discussion to consider what the country is doing and how/why it is doing it.

RELATED LITERATURE AND KNOWLEDGE GAP

The oil sector in Uganda has attracted notable attention from the scholarly community, civil society, policy think tanks and development partners. Accordingly, writing on the sector has appeared in the form of scholarly articles (e.g. Kashambuzi, 2010; Henstridge and Page, 2012;

Collier, 2011, etcetera); reports from civil society organisations (e.g. International Alert, 2011); and development research policy papers (e.g. NDP, 2010; Modise, 2011; Vision 2040, 2012). Three other forms of writing relevant to the sector are: 1) legislations and policies on the oil sector in the country (i.e. Oil and Gas Revenue Management Policy, 2012; National Oil and Gas Policy 2008; Petroleum Exploration, Development and Production Bill, 2012); 2) mass media reports on the oil sector (e.g. Ssekikka, 2013; 2014); and 3) scholarly articles on highly valuable (natural) resources in general (e.g. ADB & AU, 2009; Guichaoua, 2012; Karl, 2007; Collier, 2010; Bebbington, 2013).

A major point of congruence in the aforementioned and other literature is that, although the discovery of oil in Uganda presents the country with an opportunity to develop, it also presents it with a threat of the oil-curse and Dutch disease. Thus, the authors contend that government, and other actors in the country's oil sector, should develop the oil resources innovatively, to ensure that the outcomes of the oil sector are positive and impact on the country's development and stability in significant and sustainable ways.

Two key variables relevant to the outcomes of the oil sector are: the way the sector is governed, and the way the proceeds are invested into the country's development processes. The way the oil sector is governed and proceeds from it are invested into the country's development processes are a function of pertinent legislations and policies and the way these are implemented. Subsequently, these have been the subject of very significant debate in its literature and there is very significant knowledge on what government should do and what it shouldn't do to avoid the oil resource curse. However, a key gap in the literature relates to the fact that very little research has been conducted on what might influence government's decisions and actions in the oil sector. Although notable attention has been paid to legislations and policies relating to the oil sector and how these are being implemented, sufficient attention has not been paid to the nesting nature of these laws and policies. An insightful analysis relating to this gap in the literature is by Poteete (2007). According to Poteete, behind policies, institutions, and state building lie political coalitions. He adds that politicians with narrow and unstable coalitions see rentier politics as an attractive coalition building strategy albeit these politicians' use of rentier politics as a political coalition building strategy hinders state building. On the other hand, politicians with broader and more stable coalitions are less likely to turn to rentier politics to bolster political support, in part because they are more apt to believe that they will reap the benefits from investments in state building.

In Uganda's case, it is particularly noteworthy that, at the time the country's oil resources are being discovered and their exploitation is being planned, the legitimacy of the ruling (NRM) government is significantly contested. After nearly 30 years in power, a growing political opposition and an increasingly critical cadre of civil society and diplomatic organisations are challenging the legitimacy of the ruling party more significantly by the day. From Poteete (2007)'s point of view, circumstances like these could dispose key policy makers to rentier politics—with the view to build political coalitions that will enhance their grip on power despite increasing perceived illegitimacy. In turn, such inclination towards rentier politics might result into failure to adopt sound macroeconomic policy options that regulate the flow of the proceeds from the oil sector into the domestic economy and, subsequently, prevent the oil curse and Dutch disease. Thus, Poteete (2007) poses a pertinent question: “under what conditions are governments able to overcome political pressures to spend their new income now and adopt macroeconomic policies

that protect long-term economic growth?"

In the context of the proposed study, it is particularly noteworthy that this question is relevant to Uganda's nascent oil sector, especially considering that challenges to the ruling party's legitimacy could incline it towards rentier politics. This being the case, it is essential that quality information is generated in ways in which the discovery and planned exploitation of oil is influencing the functioning of the ruling coalitions in Uganda; the ideas that are shaping the governance and development of the oil sector; and the ways in which international actors are influencing the ideas shaping the governance and development of the country's oil sector. However, information on these is generally nonexistent. An apparent reason for this knowledge gap is that scholars and commentators on the country's oil sector have focused primarily on what the government should do or should not do in developing the oil sector albeit they fail to take cognizance of the role of the overall ideas, political pressures and subsequent political coalitions that may determine what the government does or does not do. This study is proposed to fill this gap, by extending the debate on the development of the country's oil sector from asking what the government should do to avert the resource curse to why the government may or may not do what it needs to do to avert the curse.

DESIGN

The study was carried out following a case study design through which cross sectional data was collected on the political coalitions responsible for the oil sector policies and institutions that are being developed in Uganda. The design was well suited for the study because its specificity of focus which enables identification of key features of the political economy of natural resources in Uganda, thereby allowing the researcher to gain insight into pertinent political coalitions and the ways in which they relate to the impact of the oil sector on Uganda's political stability and development (Bell, 2005). The cross sectional nature of the study ensured that all the data necessitated was collected at one point in time (Amin, 2005), which was important considering that political coalitions are dynamic and could change over long periods of time. Implementation of the study involved the use of process tracing methods through which qualitative data was collected about the nature of the political coalitions responsible for the oil related policies and institutions in Uganda.

POPULATION AND SAMPLE

The population of the study included all the stakeholders in Uganda's oil sector. These include the government of Uganda, civil society organisations, oil related policy think tanks, opposition political organisations, oil companies and Uganda's citizenry. Data was collected from members of each of these categories of stakeholders. These were selected following snowball sampling techniques because it was hoped that the key actors in Uganda's oil sector and political discourse that were contacted initially might know other actors that would provide the information required for the study. The actual selection of respondents in the study was systematized and targeted at the attainment of saturation.

DATA SOURCES AND COLLECTION INSTRUMENTS

Data was collected primarily from the key actors in Uganda's oil sector and political discourse. This was done using individual and group interviews. Therefore, interview guides and recording equipment were used. The interview guides were unstructured, to ensure that the questions put

to each respondent or group of respondents are tailored to the peculiarity of the respondents' knowledge or/ and jurisdiction. Before using them to collect data, the interview guides were submitted to the research project supervisor for validation and revised in accordance with the feedback received on their quality. Secondary data was also culled from relevant reports and publications.

RESEARCH PROCEDURE

The study progressed through three major stages namely, preparation for data collection; data collection and analysis; and reporting. During the first stage, an initial sample of respondents was selected and data collection instruments developed and validated. Data collection assistants were also selected and trained. During the second stage, interviews were conducted. Lastly, during the third stage, the data collected was transcribed, analysed and compiled into a report. This stage also involved the preparation and submission of manuscripts and policy reports for publication.

DATA MANAGEMENT AND ANALYSIS

The interviews were recorded electronically. Thereafter, the records were transcribed and subjected to content analysis, to identify the key themes arising out of the respondents' responses. The content analysis was conducted using qualitative data miner (QDM). The themes on the nature of the political coalitions responsible for the oil related policies and institutions in Uganda that were identified were then cross-referenced to relevant secondary sources and literature to reach conclusions on the variables involved in the study.

ETHICAL CONSIDERATIONS

Before data collection, the research proposal was submitted to the University's Research Review Board and Uganda National Council for Science and Technology (UNCST) for ethical clearance. And all the respondents were kept confidential.

FINDINGS, DISCUSSION AND CONCLUSION

Content of the Political Settlements Relating to the Oil Sector Policies in Uganda

The national gas and oil policy for Uganda (2008) and Petroleum Exploration and Production Act (2000) embody the contents of the political settlements relating to the oil sector in the country. These include: 1) the country's goals and objectives for the oil sector; 2) the guiding principles for the development of instruments for the development and regulation of the sector; 3) the roles and privileges of stakeholders in the country's oil sector. According to the policy, the country's goals are to: ensure efficiency in licensing areas with the potential for oil and gas production in the country; establish and efficiently manage the country's oil and gas resource potential; efficiently produce the country's oil and gas resources; promote valuable utilization of the country's oil and gas resources; promote the development of suitable transport and storage solutions which give good value to the country's oil and gas resources; ensure collection of the right revenues and use them to create lasting value for the entire nation; ensure optimum national participation in oil and gas activities; support the development and maintenance of national skills and expertise; ensure that oil and gas activities are undertaken in a manner that conserves the environment and biodiversity; and ensure mutually beneficial relationships between all stakeholders in the

development of a desirable oil and gas sector for the country.

To promote attainment of these goals, the policy outlines seven guiding principles for the development of the country's oil sector: using the exhaustible oil and gas resources to create lasting benefits to society; manage resources efficiently; transparency and accountability; competitiveness and productivity; protection of the environment and conservation of biodiversity; co-operation with pertinent stakeholders; and capacity and institution building. The policy expounds on these guiding principles, demonstrating the keenness to ensure that the oil resources are democratically governed in an efficient way that will guarantee the best returns for the country while at the same time avoiding the resource curse. In fact, the oil and gas policy discusses the need to, and makes provisions for amendment of the Petroleum Exploration and Production Act (2000)—to ensure its adherence to the aforementioned guiding principles and, ultimately, realisation of the country's goals in the oil sector as cited above. The document goes ahead to specify the roles and responsibilities of the different actors in the oil sector. Relating to this, it is noteworthy that roles are specified for a diverse range of stakeholders (including legislators, technocrats, local leaders, representatives of oil exploration and production companies, cultural leaders and even members of the grassroots). The inference here is that the contents of the political settlements relating to Uganda's oil sector are all inclusive, taking cognizance of the claims of all the relevant stakeholders. After all, upon careful consideration, it is notable that adherence to these guiding principles would go a long way in securing the oil-sector goals cited above, which are in themselves notably inclusive, showing care for the current and future generations.

PROCESS OF THE POLITICAL SETTLEMENTS RELATING TO THE OIL SECTOR POLICIES IN UGANDA

Two key points discernible from the discussion on the content of the oil-sector related political settlements in Uganda are that: 1) the political settlements are forward-looking and focus on emulating best practices from around the world with the view to ensure efficiency, profitable production and environmental conservation (mindful of oil's nature as a non-renewable resource); and 2) the political settlement aspires to be all inclusive, reflecting the views and interests of a diverse range of stakeholders in the country's oil sector. These are invariably strong components of the discourse on the country's oil sector. However, beyond the issue of these plans and aspirations, are the even more important issues of whether/ how they are actually implemented. It is against this background that this study traced the processes of the oil-related political settlements—to generate answers to questions in this regard.

The findings were that the oil-sector related settlements were originated by the ruling coalition, albeit pertinent stakeholders were provided with an opportunity to influence their ultimate content at different stages and in a number of ways. Specifically, the oil policy was drafted by the Ministry of Energy with input from the international community, experts and political stakeholders. Subsequently, the policy was discussed and endorsed by cabinet—to form the background to oil-sector related legislations. The Ministry of Energy (2008) recounts this process thus: The National Oil and Gas Policy is a result of an intensive consultative process which started with the review of oil and gas policies from Algeria, Chad, Egypt, East Timor, Indonesia, Kenya, Libya, Malaysia, Mozambique, Nigeria, Norway, Pakistan, Russia, Sao Tome and Principe, South Africa, Tanzania, United Kingdom, USA and Venezuela. Three consultative meetings and workshops

were held with technical staff of various government institutions between 25th-28th April, 2006; 17th-18th July, 2006; and 31st July-1st August, 2006 after which a working document of the draft policy was formulated.

The draft policy was then forwarded to representatives of local and urban authorities, cultural institutions in the Albertine Graben, civil society organisations and academic institutions for their review before participating in a two-day stakeholder's consultative workshop held between 29th and 30th November, 2006. Many views received during the workshop were incorporated into the draft policy. It was presented and discussed at the Permanent Secretaries meeting held on 7th August, 2007.

Additional consultative meetings were held on 10th, 12th of August and 3rd December, 2007 in Hoima, Arua and Kasese respectively. The meetings were attended by area Members of Parliament, officials of the District Executive Committees and Council Members of the districts of Hoima, Masindi, Kibale, Bullisa, Arua, Nebbi, Moyo, Amuru, Gulu, Kabarole, Kyenjojo, Bundibugyo, Kasese, Kamwenge, Bushenyi, Rukungiri and Kanungu.

Guidance was received from H.E. the President when he reviewed the draft policy with the Ministries of Energy and Mineral Development, Finance, Planning and Economic Development and Justice and Constitutional Affairs at State House, Nakasero on 25th September, 2007. A consultative workshop was held for Cabinet on 26th September 2007 in which the draft policy was presented for consideration before formal submission for approval. The comments received during these meetings enriched the policy immensely. The policy was approved by Cabinet on 30th January, 2008.

The foregoing shows that the process of formulating the oil and gas policy was technical, political and consultative. It was technical in a way that it drew on the expertise of a multidisciplinary of experts in the related areas of mining, oil resources management and natural resources economics. Then it was political in a way that it drew the input of political leaders across the entire political spectrum in the leadership of the country, including councilors at the local council level, cultural leaders in the oil-rich Albertine Graben, members of parliament, cabinet ministers and the president. Finally, the process was consultative in a way that it did not only invite and integrate the views of people at the grassroots, but it also integrated insights drawn from the experiences of other countries that are involved in oil exploration and production across the entire continent, including those that are more developed and those that are not.

IMPLEMENTATION OF THE POLITICAL SETTLEMENTS RELATING TO THE OIL SECTOR POLICIES IN UGANDA

The Ministry of Energy is in charge of implementing the political settlements relating to the oil sector in Uganda. Implementation of the oil policy has been primarily through the passing of relevant legislation and conclusion of Production Sharing Agreements with international oil exploration and production companies. Review of the oil policy shows that it touches on both these items. Specifically, the policy articulated the need for amendment of the Petroleum Exploration and Production Act of 2000 to enable attainment of the goals the country is pursuing through the oil sector. It also articulates the need for and modalities for the consideration and determination of relevant production sharing agreements.

Two important achievements in the implementation of the oil-related political settlements are that the Petroleum Exploration, Development and Production Act 2013 has been passed and various production sharing agreements signed (Musoke 2013). However, interviews conducted with members of Uganda's parliament early this year show that there have been two shortfalls in the implementation of the otherwise good and inclusive oil related political settlements. First, the members of parliament noted that although a generally good piece of legislation, parts of the Oil and Gas Law of 2013 required more critical consideration albeit the bill was passed hurriedly. In an interview, a Honourable member of parliament said that, *"The controversial Clause 9, which gives control over exploration and production licensing to the minister in charge of petroleum."* Although respondents from the Ministry of Energy gave a counter argument that there was urgent need to pass the law to provide a legal framework within which the oil operations would be regulated, a counter argument was that the debate and passing of the law were marred by influence pedaling and intrigue, with the result that the law was passed only hurriedly. Of particular contention was the issue of the rights of the minister (of energy) in the conclusion of oil production sharing agreements, with skeptics fearing for the possibility of various forms and levels of corruption and their attendant consequences. One of the members of parliament talked to, said that, *"Retaining the controversial clause 9 in the act is only meant to advance the state's commercial interests in the oil sector."*

The second problem cited in the implementation of the oil sector related political settlements is that discussion and sharing of the production sharing agreements are strictly secret. A major point of contention here is that when the final component of the oil process, namely, concluding of the agreements is done secretly, moreover in a legal dispensation where the minister is given a proportionately large amount of authority over the oil resources, corrupt tendencies may not be checked and the country's best interests may not be served. It is noteworthy that, when interpreted concurrently, the findings on the content, process and implementation of the oil sector policies in Uganda, it becomes apparent that the problem is with the implementation of policies that are otherwise well reached and inclusive. This appears to explain the widespread skepticism, dissent and concern relating to oil witnessed in Uganda's media (see, for example, Musisi (2014), Nakayi (2013) and scholarship on the oil sector in general (see, for example, Mbabazi (2012), Hickey (2013).

RECOMMENDATIONS

The present study points to recommendations aimed at enhancing transparency in the implementation of the political settlements relating to the oil sector. The study appears to show that although Uganda has adopted very good policies and following an inclusive and consultative process, this is a necessary but insufficient condition for success in the oil sector and for preventing the oil curse. It is recommended that government gives itself to the transparent execution of the sector policies as the sufficient condition for success in the sector. At the present stage, it is recommended that government discloses the production sharing agreements that have been reached. After all, this is in line with the provisions of the access to information act. This will help to give contentment to those involved in the process of developing the policy that indeed, their views are being carried through and their interests catered for as promised in the policies. It may also help to ensure that rectifiable gaps are highlighted for redress. And now that the Petroleum Exploration, Development and Production Act 2013 is already in place, it is recommended that

the ministry of energy reconsiders some of the voices that may not have been given expression when the bill was debated. These might form part of future amendments that will be aimed at overcoming the shortfalls in the oil sector that this study highlights among others.

REFERENCES

- Ako, R. (2013). *Environmental justice in developing countries: Perspectives from Africa and Asia-Pacific*. London: Routledge.
- Anthony Bebbington. (2013). *Natural resource extraction and the possibilities of inclusive development: Politics across space and time*. ESID Working Paper No. 21.
- Eichstaedt, P. (2011). *Consuming the Congo: War and conflict minerals in the world's deadliest llace*. Chicago: Chicago Review Press.
- Fredrick Golooba-Mutebi and Sam Hickey. (2013). *Investigating the links between political settlements and inclusive development in Uganda: Towards a research agenda*. ESID Working Paper No. 20.
- Fredrick Musisi. (2014). Kadaga warns government on the oil curse. Retrieved from <http://www.monitor.co.ug/News/National/Kadaga-warns-government-against-oil-curse/-/688334/2430480/-/2126x1/-/index.html>
- Jonathan DI John. (2007). Oil abundance and violent political conflict: A critical assessment. *Journal of Development Studies*, 43, 961–986.
- Jonathan Di John and James Putzel. (2009). Political Settlements Issues Paper. Governance and Social Development Resource Centre.
- Julius Kiiza, Lawrence Bategeka and Sarah Ssewanyana. (2011). Righting resource-curse wrongs in Uganda: The case of oil discovery and the management of popular expectations. Economic Policy Research Centre.
- Lawrence Bategeka John Mary Matovu. (2011). Oil wealth and potential Dutch disease effects in Uganda. Economic Policy research Centre.
- Lesedi Modise, (2010). Can Uganda's oil endowment support its economic development: Governance of Africa's Resources Programme: Policy Brieing 26.
- Lindeman, S. (2010). Exclusionary elite bargains and civil war onset. Development as State-making Working Paper 76. London: Crisis States Research Centre.
- Musoke, R. (2013). President Museveni signs oil law. Retrieved from <http://www.independent.co.ug/ugandatalks/2013/04/president-museveni-signs-oil-law/>
- Pamela.k. Mbabazi. (2012). The oil industry in Uganda; A blessing in disguise or an all too familiar curse? Current African Issues 54. Uppsala
- Paul Collier October. (2011). Managing Uganda's oil discovery. Centre for the Study of African Economies, Department of Economics, Oxford University.
- Rachel Weisshaar. (2007). Discovery of oil destabilizing Great Lakes region: New Security Beat. Environmental Change and Security Program of the Woodrow Wilson International Centre for Scholars.

Rose Nakayi. (2013). Oil: Will Bunyoro be like Northern Uganda? Retrieved from http://www.observer.ug/index.php?option=com_content&view=article&id=26100:oil-will-bunyoro-be-like-northern-uganda&catid=37:guest-writers&Itemid=66

Sam Hickey. (2013). The politics of natural resources and inclusive development in Uganda and Ghana. Retrieved from <http://www.effective-states.org/politics-natural-resources/>

Siggel, E. (2005). Development Economics: A Policy analysis approach. Innovative economics textbooks. Surrey: Ashgate Publishing, Ltd.

Stefan Lindemann. (2010). Exclusionary elite bargains and civil war onset: The case of Uganda. Crisis States Research Centre, Crisis States Working Papers Series No.2.

Todaro, M. P., Smith, S. C. (2011). Economic Development. (11th Edition). London: Pearson Education.